



Statement of Actuarial Opinion

Unitrin Direct Insurance Company 2008 Statement of Actuarial Opinion

Identification

I, David Elkins, Senior Vice President and Chief Actuary for Unitrin Direct Property & Casualty Company (“Company”), am a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries and meet its qualification standards. I was appointed by the Board of Directors of the Company on September 12, 2007 to render this opinion.

Scope

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials, as of December 31, 2008.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared under my direction. I evaluated that data for reasonableness and consistency. The data was reconciled to the calendar year statutory accounting records and to Schedule P – Part 1 of the Company’s current annual statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

Opinion

In my opinion, the amounts carried in Exhibit A on account of the items identified:

- A. Meet the requirements of the insurance laws of the state of Illinois.
- B. Are computed in accordance with accepted actuarial standards and principles.
- C. Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

Relevant Comments

a. Risk of Material Adverse Deviation

I have considered a material adverse deviation to be one in which the actual net outstanding losses and loss adjustment expenses exceed the carried net reserves for

losses and loss adjustment expenses by an amount greater than 5% of the Company's statutory surplus shown on the Liabilities, Surplus and Other Funds page of the Annual Statement.

The Company predominantly provides private passenger auto insurance coverage, which is generally considered to have relatively modest risk for material reserve variability. I consider the risk of material adverse deviation to be small. However, our book is heavily weighted toward new business, our experience period includes changes in the mix of business by state, and the overall volume within each reserve segment is relatively small. In addition, we closed one of our claim offices in 2008, which could affect settlement of claims.

The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as having been a significant influence on the Company's reserves.

b. Other Disclosures in Exhibit B

1. Salvage and Subrogation

The Company does carry anticipated salvage and subrogation reserves of \$3,104,636 included as a reduction to Direct and Assumed loss and loss adjustment expense reserves. The net amount of \$310,000 is shown in Exhibit B and reported in Schedule P.

2. Discount

The Company does not discount loss and loss adjustment expense reserves.

3. Voluntary and Involuntary Underwriting Pools and Associations

The Company does not participate in any voluntary or involuntary pools.

c. Reinsurance

1. Retroactive Reinsurance / Financial Reinsurance

Based on discussions with Company management and its description of the Company's ceded reinsurance, I am not aware of any reinsurance contract that either has been or should have been accounted for as retroactive reinsurance or financial reinsurance.

2. Reinsurance Collectibility

The ceded loss and loss adjustment expense reserves are with Trinity Universal Insurance Company that is rated A by A.M. Best Company. There are no current loss and loss adjustment expense reserves disputed by Trinity Universal Insurance

Company, so reinsurance collectibility is not an issue.

d. IRIS Ratios

I have determined that the three NAIC IRIS reserve tests, One Year Reserve Development, Two Year Reserve Development, and Estimated Current Reserve Deficiency, do not create any exceptional values for loss and loss adjustment expense reserves.

e. Methods and Assumptions

Reserves for December 31, 2008 were based on the Company's historical approach, which includes evaluating the incurred loss development, paid loss development, ultimate claim count times average incurred loss, and the Bornhuetter-Ferguson method for losses; and the paid expense development, ratio of paid expense to paid loss development and the Bornhuetter-Ferguson method for defense and cost containment expenses.

- f. In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it is necessary to project future loss and loss expense emergence and payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

An actuarial report and underlying workpapers supporting the findings expressed in this Statement of Actuarial Opinion will be retained for a period of seven years in the administrative offices of the Group and available for regulatory examination.

David Elkins, FCAS, MAAA
Unitrin Direct Insurance Company
One East Wacker Drive
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February 26, 2009

EXHIBIT A: SCOPE

<u>Loss Reserves:</u>	<u>Amount</u>
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	\$ 3,815,912
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus, and Other Funds page, Col 1, Line 3)	\$ 679,935
3. Reserve for Unpaid Losses – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 13 and 15, Line 12 * 1000)	\$ 38,250,000
4. Reserve for Unpaid Loss Adjustment Expense – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 17, 19, and 21, Line 12 * 1000)	\$ 6,799,000
5. The Page 3 write-in item reserve, “Retroactive Reinsurance Reserve Assumed”	\$ 0
6. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$0
<u>Premium Reserves:</u>	
7. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$ 0
8. Reserve for Net Unearned Premiums for Long Duration Contracts	\$ 0
9. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$ 0

EXHIBIT B: DISCLOSURES

1.	Name of the Appointed Actuary	Elkins	David	M.
2.	The Appointed Actuary's Relationship to the Company		E	
3.	The Appointed Actuary is a Qualified Actuary based upon what qualification?		F	
4.	Type of opinion, as identified in the OPINION paragraph		R	
5.	Materiality Standard expressed in US dollars (Used to answer question #6)			\$ 621,964
6.	Is there a Significant Risk of Material Adverse Deviation?	Yes []	No [X]	Not Applicable []
7.	Statutory Surplus (Liabilities, Col 1, Line 35)			\$ 12,439,282
8.	Anticipated net salvage and subrogation included as a reduction to loss reserves and loss expense reserves as reported in Schedule P (Should equal Part 1 Summary, Col 23, Line 12 * 1000)			\$ 310,000
9.	Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P			
9.1	Nontabular Discount [Notes, Line 31B23, (Amounts 1, 2, 3 & 4)], Electronic Filing Cols 7, 8, 9, & 10.			\$ 0
9.2	Tabular Discount [Notes, Line 31A23, (Amounts 1 & 2)], Electronic Filing Cols 7 & 8.			\$ 0
10	The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines			\$ 0
11	The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines			
11.1	Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 32A03D, ending net asbestos reserves for current year), Electronic Filing Col 11			\$ 0
11.2	Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 32D03D, ending net environmental reserves for current year), Electronic Filing Col 11			\$ 0
12	The total claims made extended loss and expense reserve (Schedule P Interrogatories)			
12.1	Amount reported as loss reserves			\$ 0
12.2	Amount reported as unearned premium reserves			\$ 0
13	Other items on which the Appointed Actuary is providing Relevant Comment (list separately)			\$ 0